

## **EXHIBIT 1**

**Ibbotson® Cost of Capital**  
2013 Yearbook

Data through March 2013



The main provider of data for the Ibbotson® Cost of Capital Yearbook is Morningstar®.

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22 West Washington Street  
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Main (312) 696-6000  
Product Sales (888) 298-3647  
Fax (312) 696-6010  
[global.morningstar.com/datapublications](http://global.morningstar.com/datapublications)

Additional copies of the 2013 Ibbotson Cost of Capital Yearbook may be obtained for \$495, plus shipping and handling. Archived copies of previous editions of the Ibbotson Cost of Capital Yearbook (1994–2012) are available for \$595, plus shipping and handling.

To ensure that you are using the most up-to-date data available, order the Ibbotson Cost of Capital Yearbook with Quarterly Updates, the preferred solution of financial professionals worldwide. In addition to receiving the annual Ibbotson Cost of Capital Yearbook (data through March 2013), you may also purchase quarterly online PDFs at [ccrc.morningstar.com](http://ccrc.morningstar.com)

For additional information about Morningstar publications and products, call Product Sales at (888) 298-3647, or visit the Ibbotson Cost of Capital Resources website at: [global.morningstar.com/datapublications](http://global.morningstar.com/datapublications). Written inquiries are accepted at the address listed above.

The Ibbotson® Cost of Capital Yearbook, originally published by Ibbotson Associates® and now published by Morningstar, Inc., includes five separate measures of cost of equity, weighted average cost of capital, detailed statistics for sales and profitability, capitalization, beta, equity valuation multiples, enterprise valuation multiples, financial ratios, equity returns, and capital structure—all presented in a concise, consistent, and clear format. The publication is considered an invaluable independent resource to a large number of financial professionals. In producing the Ibbotson Cost of Capital Yearbook, Morningstar goes to great lengths and care to gather the required data and perform the many millions of calculations necessary to turn that data into the meaningful information presented in this book.

Anyone performing discounted cash flow analysis will find the Ibbotson Cost of Capital Yearbook to be a useful resource in the determination of discount rates. Appraisers and other professionals involved in the valuation of businesses or business segments will find the book to be an invaluable source of information. Equity investment analysts and portfolio strategists will find the book to be an effective tool in determining the pricing of various securities. Corporate treasury professionals will find the book to be an asset in determining appropriate discount rates for acquisition or capital expenditure projects. Other financial professionals, including consultants and accountants, performing discounted cash flow analysis will find that the Ibbotson Cost of Capital Yearbook is an excellent “at-your-fingertips” reference guide for cost of capital information. Students, instructors, and professors will find the book useful for the preparation and evaluation of real world case studies and other course projects containing discounted cash flow analysis.

The philosophy behind the Ibbotson Cost of Capital Yearbook is to provide the latest and most up-to-date financial and cost of equity information possible. As such, Ibbotson created the Ibbotson Cost of Capital Yearbook, updated quarterly online, to keep financial professionals abreast of the important industry financial information their vocation requires. Morningstar continues to publish the Ibbotson Cost of Capital Yearbook with the same philosophy.

The 2013 Yearbook includes data available through March 2013. By the end of March, many companies have reported their previous year’s financial results. For this reason, we have selected March to be our initial Yearbook reporting month. In order to have the most up-to-date information, purchasers of the 2013 Yearbook should also purchase the quarterly online supplements of individual SICs, which contain data updated through June, September, and December. However, the majority of our customers opt to purchase the Industry Module of the Cost of Capital Resources Center (CCRC). This comprehensive module gives customers access to all our quarterly SIC reports since 2001. Please see the back to this Yearbook for additional details.



## Description of Methods Used

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### Organization of Data

This book contains cost of capital information by industry. The intent of this book is to provide cost of capital and other financial statistics useful in valuing companies, although we have not made any attempt to provide cost of capital information by individual company. It is our position that the models utilized in this book provide useful cost of capital statistics when applied on a uniform basis to the industry as a whole. On an individual company basis, the models utilized in this book may provide information that is inaccurate or misleading. Any individual company cost of capital analysis should involve a careful analysis of all facts surrounding that company. Depending on individual company circumstances, all of the assumptions underlying our models might not apply.

An excellent resource for practitioners who wish to create their own customized peer group is the Peer Group Builder. This tool allows users to create all data points as presented in this book for any peer group consisting of five or more companies. The Ibbotson® Company Beta Reports are available for approximately 5,000 U.S. publicly traded companies and contain the necessary information to calculate cost of equity under both the capital asset pricing model (CAPM) and Fama-French multi-factor model. Peer Group Builder and the Ibbotson Company Beta Reports can be obtained from our "Cost of Capital Resources" website at:  
[global.morningstar.com/US/CofCResources](http://global.morningstar.com/US/CofCResources)

### SIC Codes

This book is organized by Standard Industrial Classification (SIC) code. According to the Office of Management and Budget:

*The SIC is the statistical classification standard underlying all establishment-based Federal economic statistics classified by industry. The SIC is used to promote the comparability of establishment data describing various facets of the U.S. economy. The classification covers the entire field of economic activities and defines industries in accordance with the composition and structure of the economy.*

SIC codes are organized from one to four digits. A single-digit SIC code will be the most general classification; a four-digit SIC code will be the most specific. In addition, any company appearing in a four-digit classification will also appear in the three-, two-, and single-digit classifications. For example, a company included in industry 2844 will also appear in industries 284, 28, and 2.

### Industry Size

Industries included in this publication have a minimum of five companies that meet the criteria of the rigorous sorting and screening process outlined below. Our analysis makes a distinction between industries containing fewer than ten companies and industries containing ten or more companies. Those industries with fewer than ten companies do not contain percentile data or data on the largest and smallest composites. It is our position that industries containing fewer than ten companies will not provide meaningful percentile data or meaningful largest and smallest composite data.

### Median and Composites

The financial statistics include median and composites for the entire industry or SIC, the largest ten percent of companies in the industry, and the smallest ten percent of companies in the industry. Largest and smallest companies are determined from the most recent fiscal year's dollar sales. The largest and smallest composites will contain a minimum of three companies. The reader can use the composite data to see how the data varies by company size across an industry.

### Latest and Five-Year Average Statistics

Most financial statistics are presented in two different formats: latest and five-year average. The latest statistic represents the most recently available data for a given statistic. For instance, the latest statistic for operating margin uses the most recent fiscal year's operating income divided by the most recent fiscal year's sales. The latest statistic for return on equity uses the most recent fiscal year's income before extraordinary items divided by the most recent month's market capitalization.

The company-level growth rates used in the 2013 Cost of Capital Yearbook are derived based on earnings estimates from Thomson Reuters. We incorporate these growth rates in the single-stage discounted cash flow model and in the first and second stages of the three-stage discounted cash flow model.

Professor John Graham of the Fuqua School of Business at Duke University supplies the necessary company-level marginal tax rate data we use in calculating unlevered betas and the weighted average cost of capital.

It is our assumption that the data received from outside data vendors is accurate and reliable. Morningstar, Inc. makes no statement of accuracy regarding the information received from other vendors.

#### **Preliminary Screening Process**

There are a number of companies included in the Morningstar database that we have not included in this publication. The intent is to eliminate companies that have incomplete data or contain other characteristics which might distort the particular industry's financial statistics. By eliminating these companies from our analysis, the statistics that this publication provides are as pure as possible for a given industry. Please note that a substantial number of companies included in the Morningstar database have been eliminated through our screening process. Companies are eliminated for any of the following reasons:

#### **Dollar sales are not available for the most recent fiscal year, or there has been no stock price reported for the most recent month.**

Companies that do not have sales for the most recent year or a market value for the most recent month are excluded, because a lack of these numbers indicates that the company is either not continuing as a growing concern, or that a financial restructuring may be underway. The financial performance of such a company would probably not be indicative of the financial performance of other companies in the industry.

#### **Sales of less than \$100,000 for the most recent fiscal year or less than \$10,000 in market capitalization for the most recent month.**

Companies whose sales do not exceed \$100,000 or whose market values do not exceed \$10,000 are excluded because these companies are typically not substantial enough

to have meaningful financial statements in comparison to other companies in the industry. Companies that have exceptionally small revenues or market capitalization tend to have unique financial characteristics that might distort the presentation of industry financial data.

#### **The company has not reported full financial results for each of the last three fiscal years or month-end stock prices for the last twenty-four months.**

Companies that lack financial data for the previous three fiscal years or stock prices for the previous twenty-four months are also excluded. Start-up companies also have a tendency to have unique financial statements in comparison to more mature companies. For this reason, companies that have less than three years of financial statements are excluded from our analysis. Our analysis focuses on stockholders' equity and operating income before depreciation to identify these companies.

In addition, companies that do not have consistent reporting of financial data will also be excluded. Our analysis looks for data over the same number of periods for the market value of equity and total assets. If data is not available for the same number of periods for both data values, both are eliminated. For example, if five years of data for total assets is available, but only four years of data for the market value of equity is available, the company will be excluded from our analysis. This exclusion is necessary because these companies provide significant challenges to our model in calculating averages over the three-to-five year time period.

#### **Less than 75 percent of sales in a single SIC code.**

The database allows companies to present business segment sales for multiple SIC codes. Our analysis focuses on this data to determine in which SIC an individual company should be classified. If a single four-digit SIC represents more than 75 percent of that company's total sales, the company is classified into that SIC. If, however, an individual SIC does not represent 75 percent of company sales, that company will not appear in a four-digit SIC industry.

For companies that do not meet the 75 percent requirement at the four-digit level, our analysis again looks to the business segment sales to determine if 75 percent of sales are represented by a combination of SIC codes at the three-digit level. If this is not successful, the analysis will look for 75 percent of sales at the two-digit level and finally at the one-digit level if necessary. If 75 percent of